CIA/OER/S-06793-75 WORLD FERTILIZER SUPPLY SITUATION FEB 75
SECRET/NFD 01 OF 01

S-6793

CIA/OER/S-06793-75

[redacted]

24 February 1975

MEMORANDUM FOR: Mr. John Gale
Office of the Secretary
Department of the Treasury

SUBJECT : The World Fertilizer Supply Situation in 1975 and Outlook for World Nitrogen Capacity, 1975-1980

1. Attached is the information you requested on 20 February. The paragraph dealing with Japanese and Polish prices for nitrogen fertilizer is classified Secret/No Foreign Dissem. All other sections of this memorandum are unclassified.

2. If we can be of further assistance, please contact [redacted] on extension 6716.

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Chief, Resources Branch
USSR/Eastern Europe Division
Office of Economic Research

Attachment:
as stated

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World Fertilizer, 1975-1980

World supply of chemical fertilizer will increase to an estimated 115 million nutrient tons in 1980, about 31% more than was available in 1974. The expansion in the supply of nitrogen fertilizer is likely to lead the way (Table 1). (Unclassified)

Some government and industry estimates place world fertilizer supply as high as 133 million tons in 1980, approximately 51% greater than in 1974. This higher estimate appears unrealistic. During the first half of 1974, in response to the spectacular increase in the price of nitrogen and phosphate fertilizer, at least 15 new fertilizer projects with a total capacity of 13 million tons were being discussed. In the last half of 1974, however, prices of nitrogen and phosphate fertilizer declined, and as a result many of the projects probably will be shelved indefinitely. For example, Canada, which has talked of installing 8 million tons of additional ammonia production capacity, now seems inclined to install only 1 million tons. Arab oil exporters reportedly were planning to install 6 million-12 million tons of ammonia capacity to take advantage of huge natural gas supplies now being flared. Firm evidence indicates that the Arabs will, at most, install about 900,000 tons of ammonia capacity by 1980. (Unclassified)

By the end of 1974, prices of nitrogen and phosphate fertilizer had dropped about 20% from mid-summer peaks. Urea and diammonium phosphate were selling for about $330 per ton in December, compared with $425 six months earlier. The drop stemmed from consumer resistance to rising prices, steady increases in fertilizer production, and decreases in the cost of petroleum-based feedstocks such as naphtha. Naphtha prices fell by about 40% in the last half of 1974. (Unclassified)

Prices of nitrogen and phosphate fertilizer probably will continue to move downward in 1975, mainly as a result of large increases in production scheduled for this year. Nitrogen production will increase by an estimated 9% in 1975, led by major increases in the United States, the USSR, China, and Poland (Table 2). Phosphate production will increase by an estimated 10% in 1975. Gains ranging from 10%-20% probably will be achieved in the United States, the USSR, and France. (Unclassified)

Nitrogen and phosphate fertilizer prices probably will fall to $250-$275 per ton by the end of 1975. Japan, the world's largest exporter of nitrogen fertilizer, has set its export price for urea at $240 per ton, almost 30% below current market prices. Arab and West European sellers, who had been closely coordinating their prices with the Japanese on the upswing, almost certainly will follow suit,

at least part way, on the downswing. Poland has also recently cut prices for urea. Warsaw offered to sell 50,000 tons of urea to the United States for $280 per ton. As recently as last September, Poland's export price for urea was $375. (SECRET/No Foreign Dissem)

In contrast to generally improving conditions for nitrogen and phosphate fertilizer, the world supply situation for potassium fertilizer could deteriorate badly during 1975-1977. Canadian producers, who currently account for about 25% of world supply, have deferred potassium expansion projects valued at $200 million, pending clarification of tax disputes with the provincial government of Saskatchewan. Until the tax situation is resolved, producers plan to keep output constant at 6.0 million tons per year. Demand for potassium is expected to grow by at least 6% per annum during 1975-1977, and it is unlikely that other major producers of potassium fertilizer will be able to offset fully the stagnation in Canadian production. (Unclassified)

Table 1

World Fertilizer Supply, 1975-1980

Fertilizer Type	Production (million nutrient tons)		Increase 1975-1980
	1974	1980	
Nitrogen	38	56	47%
Phosphate	24	30	25%
Potassium	25	28	12%
Total	88*	115*	31%

* Total does not agree with the sum of the components due to rounding.

Table 2

World Nitrogen Capacity, 1974-1980
(million metric tons of nutrient)

	1974	1975	1976	1977	1978	1979	1980	1975-1980 Increase
North America	14.3	15.0	16.7	18.2	20.4	20.4	20.4	43%
Western Europe	15.4	15.6	16.2	17.6	18.4	18.4	18.4	19%
USSR-Eastern Europe	18.5	20.3	20.4	21.2	21.4	22.9	22.9	24%
Latin America	2.5	2.7	4.3	5.0	6.0	6.4	7.3	192%
Africa	0.7	0.8	0.8	1.5	2.3	2.3	2.3	228%
Asia	6.1	7.8	8.6	9.9	11.6	11.6	12.4	103%
Other*	9.6	9.9	10.1	13.0	13.0	13.0	13.0	35%
Total Capacity	67.1	72.1	77.1	86.4	93.1	95.0	96.7	
Potential Supply**	38.2	40.9	43.6	47.3	51.2	54.5	56.3	47%

* Includes Japan, Israel, Republic of South Africa, Taiwan, China, North Korea, and Oceania.

** Potential supply is derived from capacity by adjusting for production losses, operating rates, and non-fertilizer uses. Generally, losses equal about 10% of capacity. Operating rates range between 50% and 90% of capacity, and non-fertilizer uses account for 15%-20% of capacity.